# CONTINENTAL OPINION REGARDING A PROPOSED MIDDLE EUROPEAN TARIFF-UNION

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# CONTINENTAL OPINION REGARDING A PROPOSED MIDDLE EUROPEAN TARIFF-UNION

BY

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# CONTINENTAL OPINION REGARDING A PROPOSED MIDDLE EUROPEAN TARIFF-UNION

In the European press, more especially in that of Germany, one often meets with the expression "Middle European Zollverein." A study of its content reveals the existence of a movement—more academic than political—contemplating, for one reason or another, greater unity of action on the part of certain European countries, primarily Germany and Austria-Hungary.

The purpose of this article will be to describe this movement and set forth European opinion with reference to a subject whose possible realization might be fraught with enormous economic consequences to the United States.

The tendencies which operated to make of England and France modern states were counteracted in the countries to the east—primarily Germany and Austria—by other forces. Unity, however, among the states of middle Europe is not a new idea. It existed for centuries under the name of the "Holy Roman Empire." This fiction ceased in 1806, and in 1815, after the Napoleonic wars, there was formed in its stead the "Germanic Confederation" which lasted until 1866. This governmental organization had no real power but all the weaknesses which characterized the Government of the United States under the "Articles of Confederation." Almost contemporaneously with its inception there was formed in Prussia in 1818 an economic measure known as the "Zollverein." Beginning with Prussia this Verein gradually absorbed other German states so that by 1834, when it assumed the

name of the German Zollverein, it included practically all the German states excepting Austria and Hanover. This exclusion of Austria brings us to the first chapter in the consideration of a "Middle European Zollverein," using this term in its modern acceptation. Between 1834 and 1866 Austria attempted repeatedly to ingraft herself as a member—or rather as the leading member—of this German Zollverein. Her exclusion was a matter of politics rather than economics, or as Prof. Lotz of Munich in a conversation once expressed it: "Economic events invited union; political events, disunion." The duel was between Prussia and Austria and the question was as to which of them should play the chief rôle in German politics. The smaller German states were an uncertain quantity in this duel. The first crisis happened in the early sixties when, after France had inaugurated her so-called "free-trade era" by a commercial treaty in 1860 with England, the question was presented to the German states whether they should form a treaty with France wherein the tariff-rates would be radically lowered. Austria was hopelessly protectionist and in this direction the South German states, especially Bavaria and Wurtemburg, had a strong leaning. In Prussia, although there was a strong protectionist element, many classes, particularly the merchants at the seaports, the large land-owners and the Bureaucrats, had quite the opposite tendency. Bismarck, however, solved the question for Prussia by forming a treaty with France in 1862 and making its acceptance and the exclusion of Austria, a *sine qua non* to a renewal of the Zollverein. The question received a more definite solution by the events of 1866. Thus the first attempts to form a Middle European Zollverein—whose aim was essentially a protection of manufacturing interests against English competition—ended in a failure.

In the latter part of the seventies we find, however, totally different economic forces at work. The agricultural development, particularly in the United States, coupled with improved means of transportation and an enor-

mous industrial awakening in Germany, changed the latter country—as well as Western Europe—from an agricultural exporting to an agricultural importing country. The result was the German Tariff Act of 1879—which was essentially an agrarian protective measure. Bearing in mind that in the first chapter of the discussion of a Middle European Zollverein (1834-1866) the economic basis was manufacturing protection and the common enemy England; while in the second chapter, extending from the latter part of the seventies up to the present time the economic basis is more particularly agrarian protection and the common enemies are primarily the United States and Russia, and secondarily Great Britain with her colonies, let us examine somewhat in detail the literature of our subject. G. de Molinari, editor-in-chief of the "Journal des Economistes," treated, in the February number (1879) of that magazine, the subject of a Middle European Zollverein (Union douanière de l'Europe Centrale). He favored the idea and would have such a union comprise France, Belgium, Holland, Denmark, Germany, Austria-Hungary and Switzerland. There should be free-trade between the members of the Union. The objection that such a measure would destroy a very important source of revenue was answered by his saying that it was well known to specialists that the great bulk of tariff-revenue of the countries of Western Europe was derived from foreign wares and that domestic wares scarcely paid for their cost of collection. Thus nine-tenths of the tariff revenue of France was derived from colonial wares (coffee, sugar, cacao, spices, etc.), while much of the balance was obtained from goods imported from England, Spain, Norway, etc.—countries outside the proposed Union. Similar conditions existed also for Germany. The probability is that such a Union would increase rather than diminish the revenue derived from import duties. De Molinari did not, of course, deny the existence of difficulties in the way of race prejudices and the like, but he did not regard them as insurmountable. Such

a Union was possible as were Unions regarding coinage, postage, weights and measures, telegraphs, etc. For its formation there were four essential points:

1. The agreement on the tariff-rate for the Union. There would be no great difficulty in this owing to similar industrial conditions in the countries composing the Union.

2. The apportionment of the import revenues. This would not be so difficult as it appears. Each country would retain its own tariff administration, the net revenue only being divided and upon the basis, probably, of population.

3. Equalization or apportionment of the consumption or internal revenue taxes. Molinari regarded this as the most difficult problem to be met by the proposed Union, as had been the case in the former German Zollverein. The difficulty lay not so much in the articles taxed—being quite the same in all the states (tobacco, sugar, salt, beer, brandy, etc.) as in the rate and mode of taxation.

4. The formation of an international tariff commission to direct the execution of the new system—similar to the tariff conferences in the German Zollverein.

A reading of de Molinari's article shows that the Union which he contemplated had its model in the German Zollverein. He conceived that a beginning might be made by two or more states with provision for the entrance later of other states. His proposition was discussed on February 5th, 1879, at a meeting of French economists. Leroy-Beaulieu, although in general an advocate of the idea, spoke against the plan of De Molinari, principally because he thought proposition 3—the equalization of taxes on consumption—impossible. France by such a measure would have to replace one milliard indirect by direct taxes. A. Courtois, Ch. M. Limousin and Josef Garnier spoke in favor of the proposition, while Pascal Duprat thought that such a Union applied to the Latin races would be possible. The Chamber of Commerce at Verviers, Belgium, considered the plan and recommended it to the Belgian Federation of Chambers of Commerce, while a committee in

Zürich, composed of industrial and commercial people, recommended a Tariff-Union between Switzerland and France as a basis for a Middle European Zollverein. In Alsace the question was discussed in the press by Bergmann, Lalance and others.

Already, in the latter part of 1878, De Molinari had solicited the opinion of Bismarck on his proposition. The reply of the Chancellor shows very clearly that he did not regard the subject as a question of practical politics although it has been claimed by many that he was favorable to the general plan. In his reply to de Molinari, under date of September 25th, 1878 ("Aktenstücken zur Wirthschaftspolitik des Fürsten Bismarcks," von Poschinger), Bismarck said: "If I were able to obtain a favorable opinion from the Minister of Finance of the smallest nations which I have just cited you—France, Belgium, Holland, Denmark or Switzerland—I would promise to consider the question seriously with you."

In 1879 a pamphlet on this subject—"L'Association douanière de l'Europe Centrale"—appeared under the authorship of R. Kaufmann. Its basis was agrarian rather than industrial protection. To withstand the competition of other countries, especially of the United States, the writer recommended a Middle European Zollverein, comprising the three large states of France, Germany and Austria-Hungary and the three small ones of Belgium, Holland and Switzerland, containing a population of from 125 to 130 million. Many objections of a political, economic, financial, administrative, theoretical or practical nature would, of course, be raised against the scheme, but they were not insurmountable. Politically, it is hardly possible that a Tariff-Union would in any way jeopardize the independence of the individual states. The large ones would offer an equilibrium to one another and at the same time would prevent the absorption of the smaller ones. Such a Union ought to be received favorably by both protectionists and free-traders. Industry would be aided

by an increase in markets and a more effective protection against England. Many difficulties would be encountered in arranging the tariff-rates and they would have to be settled—as all tariff arrangements are settled—by compromises. Such was the case in the German Zollverein. It might happen that some states would derive proportionally less tariff-revenue but this would, if necessary, be equalized by other forms of taxation. Such a Union could only be realized by a gradual development, beginning, perhaps, with commercial treaties among the six countries in which as many acceptable points as possible should be incorporated. The Union would have a moral effect in increasing international good feeling and making wars more difficult. Views similar to those of Kaufmann were expressed by Bergmann, a former member of the German Reichstag, in 1879 in a pamphlet entitled, "Die zukünftigen Zollverträge auf der Grundlage autonomer Tarife der industriellen Länder des Europäischen Kontinents." Dr. A. Peez, member of the Austrian Abgeordnetenhaus, treated, in 1879, the subject of a Tariff-Union between Germany and Austria—"Zollvertrag mit Deutschland, oder wirthschaftliche Autonomie?" This idea had won many adherents but when one examined the question carefully the difficulties appeared to make the plan unlikely of realization. Compared with former years political complications had diminished since the events of 1866. Financial difficulties may be said also to have decreased since the passage of the German Tariff Law of 1879, which increased the consumption taxes. There was also a movement in Germany toward a government monopoly of tobacco. Such measures, of course, decreased the necessity of tariffs for revenue purposes. The condition is quite different when one studies the economic side of the question. The industries of Germany being much better developed than those of Austria, German industrialists might be expected to favor the idea of a commercial Union, while, on the other hand, Austria-Hungary being more agrarian than

Germany might be expected to view the question in the same light, for free-trade between the two countries would mean that Germany would supply her neighbor with manufactured products and receive from her the products of the farm. For reasons apparent the scheme would, on the other hand, meet with opposition from German agrarians and Austrian industrialists. Finally, there was a positive international difficulty. Article XI of the Frankfort Treaty of 1871 between Germany and France guaranteed that they would treat each other forever on the basis of the "most favored nation," in their treaty relations with England, Belgium, Holland, Switzerland, Austria and Russia. Hence a differential treaty such as that contemplated by the advocates of a Zollverein between Germany and Austria could not be effected. It is interesting to note the position at this time taken by Dr. Peez, for we shall find him somewhat later among the most brilliant advocates of the general plan of a Middle European Zollverein.

Guido von Baussern, a Hungarian member of the Reichstag, advocated in many of his speeches a Tariff-Union between Germany and Austria-Hungary (see Deutschland und Oesterreich-Ungarn. Abhandlungen, Reden und Briefe von Guido von Baussern. Leipzig, 1890). The motives which prompted him to advocate such a Union were largely political. Political relations would obtain greater solidarity by a cementing of material interests. Von Baussern's ideas are best studied from a memoir which he addressed to Bismarck on February 2, 1880. The only right starting-point leading toward a settlement of the commercial-political questions between Austria-Hungary and Germany is the organization of the nations of Middle Europe into a powerful tariff or commercial Union. The principle of protection and free-trade can work harmoniously together when applied to large territories. A Union of Middle European states would bring together nations which should naturally be united by virtue of their geographical position and economic development. The German

Zollverein realized this in part. Union would decrease costs connected with the raising and administration of the customs. That such a Zollverein would, as in the case of the German Zollverein, lead to political union is not possible. The German Zollverein led to a political union of people of the same race, while the proposed scheme contemplated a union of people of different nationalities. Should such a union so increase the German element as to endanger the political autonomy of the other elements, the latter could easily combine, the result being what it has always been from the time of Alexander the Great to that of Napoleon. The German element is very conservative. It took 60 years to unite a part of its people into the present German Empire and particularism is not yet dead. The realization of this Empire has made possible an economic Union between Germany and Austria, but such a Union should extend to other European states. A development along this line would ensure a greater solidarity of material interests, guarantee peace, strengthen national independence and enable central Europe to become the regulator of the world's trade and commerce. The political rivalry of Austria and Germany in the fifties and sixties alone made an economic Union impossible. Effective rivalry ceased with the results of 1866. Should they now unite they should contemplate the gradual incorporation into the Union of the following additional states: Switzerland, Denmark, Holland and Belgium in Western Europe and the Balkan States in the East.

On March 5, 1880, Bismarck, replying to this memoir, said: "I have noted carefully the contents of your communication and share your view to the extent that I regard such a Tariff-Union between Austria-Hungary and Germany as designating the ideal direction of our commercial relations. I do not know whether we can ever reach this ideal but the nearer we approach it the closer will our commercial and political interests correspond. However, as both countries have lately revised their tariffs any defi-

nite move in this direction is for the present excluded." Dr. Karl Walcker in his work, "Schutz-Zölle, Laissez-faire und Freihandel" (Leipzig, 1880), devoted a chapter to the consideration of a Tariff-Union between Germany and Austria-Hungary. It is unnecessary, he says, to explain to the free-traders and moderate protectionists the enormous economic, political and military advantages which would accrue to Germany from a Tariff-Union with Austria-Hungary. These advantages would be similar to those which Germany derived from the German Zollverein. Among other things it would enable these countries to obtain more easily economic concessions from France, Russia and other countries. Walcker enumerates what he regards as the chief obstacles to the realization of this plan:

1. It would be opposed by a large majority of the German and Austro-Hungarian protectionists, but this opposition could be overcome by a coalition of the free-traders, landlords and the military party.

2. Another obstacle is the Austrian currency confusion and the varieties of consumption customs (Konsumptionssitten) of the two countries. These obstacles are not, however, insuperable. Even if Austria-Hungary adopted the silver currency, the customs-duties could be levied in gold. Differences in "Konsumptionssitten" exist within the German Empire itself—for example, more coffee per capita is consumed in Saxony and North Germany than in Bavaria—but they form no insurmountable obstacle.

3. Difficulty would arise in the distribution of the revenue. It has been proposed that it should be upon the basis of population, but should this be found inequitable a more equitable basis should be and could be devised.

4. Apparently the strongest argument against a Zollverein is the fact that in Austria-Hungary there exists a state tobacco monopoly and this would probably necessitate a more or less modified form of nationalization of this article of commerce in Germany.

5. It would be necessary to abolish the salt-monopoly

in Austria-Hungary as it would be impossible to inaugurate this system in Germany. As far as the other taxes on consumption—beer, sugar, brandy, etc.—are concerned, they would offer no serious impediment.

The question of the commercial relations between Germany and Austria-Hungary was discussed at the 19th Congress of German Economists (Kongress Deutscher Volkswirte) held at Berlin on October 21, 22 and 23, 1880. Upon a motion by Dr. Max Weigert (Berlin), seconded by M. Brömel, the following resolution was passed by this organization:

"A Tariff-Union (Zolleinigung) is not admissible,—

"(a) Because it entirely destroys the independence of the individual states of the Union so far as commercial legislation is concerned by making the will of one state dependant upon that of another.

"(b) Because it presupposes a similarity in internal revenue-taxation, which at the present time is neither practical nor desirable for Germany.

"(c) Because by its partial execution, or during an indefinite transition period it would engender exclusive tariff privileges."

Many took part in the discussion of this resolution. Weigert, the chairman, speaking in favor of it, said that local interests would not be safeguarded by such a Union, that regulations governing its organization must, of necessity, be too artificial and inflexible and hence opposed to the general interests of free-trade, and finally that such a Tariff-Union would be nothing more nor less than a repetition—with its direful results—of the so-called "continental system." The editor, Hirschberg (Bromberg), opposed the idea of a Tariff-Union because the economic homogeneity, absolutely necessary for such an institution, was lacking. Dr. Wolff (Stettin) regarded such a Union as an illusion which, if persisted in, would endanger the permanence of German unity. The correspondent Brömel (Berlin), in seconding the resolution, said he feared a Tariff-Union

would strengthen protectionism. The Austrian "Industrialists" must not forget that they cannot, without the aid of tariffs, withstand German competition. The German "Industrialists" believe that such a Union will merely make protectionism more permanent. Brömel added that he thought a realization of the proposed plan would jeopardize the very independence of the states by withdrawing or diminishing their power to regulate their own finances. Supposing, for example, one of the states of the Union wanted extraordinary sums of money? Not being able to alter its import duties and perhaps its other forms of indirect taxation it must resort to direct taxation with questionable results. Austria-Hungary is itself a Zollverein. With Germany added it would hardly be a "Dualismus" but rather a "Pluralismus," which is even more unwieldy. Dr. Barth (Bremen) regarded a Tariff-Union as impracticable and emphasized the financial confusion which would ensue were one party at war. Schiff (Berlin) believed that a Union, even if formed, could not be maintained.

The principal advocates of a Tariff-Union at this Congress were Austrians. Baron von Kübeck (Vienna) was among this number. He hoped that the Congress, if it could not recommend a Union, would at least not go on record as opposing it. Dr. Welker (Berlin) regarded with favor a Union based upon free-trade principles or a tariff for revenue only. This he thought would tend to weaken the strong protective walls of neighboring states like France, Russia and even of the United States.

Dr. Hertzka (Vienna) in a similar way favored the plan of a Tariff-Union, believing that its realization would lead to general free-trade. He regarded the point about the "Continental System" made by Dr. Weigert as not well taken, nor had the question of indirect taxes to be brought in. It made no difference to Austria whether Germany had a tobacco monopoly or not. Dr. Dorn (Trieste) spoke in favor of a Union, the line of his argument being similar to that of Dr. Hertzka.

M. Schraut, in his "System der Handelsverträge und der Meistbegünstigung" (Leipzig, 1884), considered from a purely theoretical standpoint the subject of a Tariff-Union between Germany and Austria-Hungary. He did not regard the difficulties in the way of a Union as tariff-political (zollpolitisch) so much as financial and "political." The question of internal revenue-taxation and of the consumptive ability of the people would have to be studied with special care. The statement that should Germany and Austria-Hungary offer reciprocal tariff advantages in forming such a Union, these advantages could be claimed by all states enjoying the most-favored-nation rights, is denied by Schraut, since such a regulation has not the nature of guaranteed tariff and commercial advantages, but represents rather a financial "association-treaty (Associationsvertrag) through which the financial and economic character of the contracting parties is changed. Should such a Union, however, be of an incomplete form, as a common external or transit tariff-regulation it is possible that third states might regard the measure as a commercial arrangement which would justify them in claiming the same advantages by virtue of their "most-favored-nation" rights. Schraut next proceeds to enumerate what he regards as some of the essential points in the proposed Tariff-Union.

(a) The external tariff (Aussentariff) must be agreed upon and can only be altered through the reciprocal action of the contracting parties either by means of a mutual independent organ or by their regular legislative bodies.

(b) The intermediate tariff (Zwischenzolltariff) must be arranged in organic relation with the external tariff so that the rates will be expressed in the same proportional amounts. If there is to be any flexibility in this arrangement Schraut suggests the plan incorporated in the commercial treaty made between the Zollverein and Austria on February 19, 1853, wherein each state reserved to itself the right to raise the intermediate rate by the amount

which the corresponding external tariff-rate of the other state is lowered.

(c) The external and intermediate tariffs should, in principle, include the majority of objects subject to tariff-duties. The most important exceptions to this rule are, perhaps, the essentially revenue-tariff objects, especially such as are closely related to the domestic taxation and tariffs on articles which affect only slightly the inter-state trade relations.

It is not necessary that the intermediate tariff-rates be the same for both countries. Their determination must take into consideration the various economic, social and political factors involved.

(d) The formation of treaties with other states should be based upon the mutual agreement on this point existing among the parties to the Union.

The International Agrarian Congress, which met at Budapest in 1885, passed the following resolution regarding a Middle European Zollverein: "The state should, during the epoch of its economic transformation, protect its raw production interests by means of tariffs. While a perfected Middle European Zollverein is not practical, it is very desirable that the Middle European states, for the security of their common economic interests, should come to an understanding by which, while not surrendering their right to regulate their own commercial affairs, they may effectively protect themselves against the non-confederated states."

The Hungarian member of the Reichstag, Eugen von Gaal, embodied in his report at this Congress upon the subject of "Agricultural Crises" the idea contained in the above resolution—a commercial-treaty system between Germany and Austria-Hungary and possibly between France and Austria-Hungary, whose characteristic should be an "autonomy" tariff with advanced rates on manufactured and raw materials coming from England, Russia and "countries beyond the sea."

Paul Dehn has treated at some length the subject at hand ("Deutschland nach Osten! III. Oesterreich-Ungarn in Reichsdeutschem Licht. Zweiter Theil: Wirthschaftliche Verhältnisse"). His line of argument is somewhat as follows: Differences in the finances, taxation, money-standards and general internal revenue systems are insuperable and make a pure Zollverein between Germany and Austria-Hungary impossible. A modified Union, however, is practical and for its realization the following suggestions are made:

1. The existing "autonomy" tariff is to be maintained, but Germany and Austria-Hungary should aim to equalize, as much as possible, their tariffs as regards classification, rates, etc. This would tend to strengthen their political and economic relations with each other and, indirectly, with other powers.

2. As corollary to the above and with reference to the future, both empires should agree to ascertain, in a most thorough manner, the foundations (Grundlagen) for a commercial agreement with moderate and equalized tariff-rates.

3. In order to be less hampered in the modification of their tariff-rates for the furthering of their inter-state commercial relations it might be well for both Empires to give the necessary notice for the abrogation of their most-favored-nation agreements with other countries.

4. Since the most-favored-nation regulation between Germany and France (Art. XI of Frankfort Treaty, 1871) relates only to the import, export and transit tariffs and to the reciprocal treatment of their subjects, Germany and Austria can have recourse to advantages outside of this category, such as special railroad concessions and advantages in refining processes and boundary-trade (Eisenbahn-Veredlungs und Grenzverkehr).

5. There should be coupled with any commercial arrangement between the two countries a definite policy as to treaty-relations with third powers.

6. Finally there should be an attempt toward greater

uniformity in certain phases of German and Austro-Hungarian legislation and administration such as Commercial Law, Law of Exchange, Postal-Affairs, Railroad-Legislation, Coinage, Money-Standard, and Internal-Revenue Taxation.

Professor Brentano, in his article "Ueber eine zukünftige Handelspolitik des Deutschen Reiches," which appeared in Schmoller's Jahrbuch for 1885, advocated an advance on agricultural import duties sufficient to meet the necessities of German agriculture, at the same time care being taken to provide the industrial interests with additional markets to compensate them for losses sustained by an advance in the price of raw materials. This, Prof. Brentano believed, could be accomplished for Germany through a Tariff-Union with Austria-Hungary and the Balkan States. The twentieth century will know only four or five world-powers —the United States, Great Britain, Russia and perhaps China and France (if her colonial policy proves a success). Germany's only salvation then, if she is to remain a great power, is in a Union such as that suggested above.

A tariff arrangement with moderate tariff-rates for Germany and Austria-Hungary and higher rates for other countries was advocated by the Austrian Chamber of Commerce at Troppau. With the object of furthering this view this chamber addressed a circular note to all the chambers of commerce in the two Empires, inquiring whether they would take part in a Congress called to consider the question. The replies to this letter of inquiry are interesting as showing the trend of public opinion and may be thus summarized: Seven Chambers—5 Austrian (Bozen, Czernowitz, Eger, Görz and Klagenfurt) and 2 German (Munich and Nuremberg)—favored the calling of such a Congress; four German Chambers (Halle, Hildesheim, Regensburg and Stollberg) refused to take part in the proposed Congress. Fifteen Chambers—9 German (Bielefeld, Brunswick, Lauban, Oppeln, Osnabrück, Passau, Plauen, Schweidnitz and Trier), 4 Austrian (Brunn, Innsbruck,

Leoben and Vienna) and 2 Hungarian (Kronstadt and Temesvar)—adopted what might be termed a "waiting attitude," and finally fourteen German Chambers (Barmen, Bochum, Breslau, Bromberg, Cassel, Chemnitz, Köln, Dortmund, Dresden, Duisburg, Hagen, Hanau, Leipzig and Mannheim) opposed any closer commercial understanding with Austria-Hungary. It was proposed to hold this Congress in 1886 but the tenor of the replies did not warrant the execution of the plan.

Carl Mamroth, in his essay "Das Projekt eines Oesterreichisch-deutschen Zollvereins (Hirth's Annalen des Deutschen Reiches, 1886), wrote against a Tariff-Union between Germany and Austria-Hungary. His text was taken from a speech made by Schulze-Delitzsch at a congress of German Economists in 1882—"A Zollverein is only practicable between states having no political or economic antagonisms, or rather, stated positively, between states whose political and economic interests are interwoven." Judged by such a text a Tariff-Union between the two states in question is an impossibility. Mamroth next proceeds to enumerate the various antagonisms and concludes as follows: "The project of an Austrian-German Zollverein is calculated, at first glance, to captivate fantastic natures but when the pros and cons are carefully considered its realization appears extremely difficult. The advantages—on the whole—appear very questionable for Germany and are vastly outweighed by the disadvantages."

Dr. Wermert, Secretary of the Chamber of Commerce at Halle, in his "Betrachtungen über einen mitteleuropäischen Zollverein" (Hirth's Annalen, 1888), expressed the belief that a Middle European Zollverein—comprising the states of Germany, Austria-Hungary, Switzerland, Denmark, Italy, Holland and the Balkan States, but excluding the "eternal mischief-maker and peace-disturber France"—was necessary to counteract the growing competition of America, England and Russia. Dr. Wermert's plan contemplated free-trade between the members of the

Union and a common tariff applied to the non-members. Such a Union, he thought, would not only strengthen international interests but would also be a peace-guarantee. He reiterated his ideas on this subject in 1894 in a work entitled "Pro Memoria: Betrachtungen über die Agrarische auf den Handelsstand und die Handelspolitik der Reichsregierung" (Halle, Kaemmerer & Co.).

Count Paul de Leusse argued, from the agrarian standpoint, in favor of a Franco-German Zollverein in his pamphlets "La paix par l'union douanière franco-allemande" (Strassburg, 1888) and "Union douanière agricole du centre de l'Europe" (Paris, 1890). Central Europe is threatened with agricultural ruin. The realization of this would mean industrial decadence, depopulation and bankruptcy. To avert such an evil an economic Union between Germany and France is a necessity. The force of events will gradually attract to this Union Belgium, Switzerland, Holland, Austria-Hungary and possibly Italy and Spain. The basis for the Union must be agrarian protection although this does not necessarily exclude the protection of other articles. The tariff-rates must be variable, changing according to the price of the commodities paying the duty. De Leusse recommended the establishment of a Tariff Bureau (Zollamt) in some central place like Frankfort, composed of representatives of all the states of the Union, whose power should be advisory and whose responsibility should be to their respective governments.

We have found that Dr. Peez in 1879 (page 10) was numbered among the opponents of a Tariff-Union between Germany and Austria-Hungary. By 1885 (Münchener Allgemeine Zeitung, No. 129) he had changed his point of view and in March, 1889, at a meeting of Austrian economists at Vienna, he still further elaborated his ideas. His line of argument was in the following strain. Great Britain, Russia and the United States are bent upon becoming enormous commercial territories (Handelsgebiete). The full realization of their efforts means the development of three world-powers (Weltmächte), viz.:

(a) Great Britain with her colonies and dependencies comprising 17 per cent of the earth's surface or 23,000,000 square kilometers, and 21 per cent of the total population of the world or 313,000,000.

(b) The Russian Empire with 16 per cent of the earth's surface or 22,000,000 square meters, and 7 per cent of the world's population or 105,000,000.

(c) America with 22 per cent of the earth's surface or 30 million square kilometers and 7 per cent of the world's population or 108,000,000. This development means the gradual deterioration or absorption of the countries of middle and western Europe unless there be some counteracting influence. The salvation of these countries rests in the formation of a Middle European Zollverein comprising the states of Germany, Austria-Hungary and Italy. France, out of hatred for Germany, might possibly enter into closer economic relations with Russia—a procedure admissible so far as Article XI of the Frankfort Treaty is concerned.

An interesting observation—indirectly referring to our subject—was made by Professor Fuch (Strassburg) in reviewing Professor Patten's work—"The Economic Basis of Protection" (Philadelphia, 1890). Commenting upon the economic isolation of the United States, not only as recommended in Patten's book but as "actually existing in practice," he said: "Europe will do well to reckon, in the near future, with this economic isolation of the United States and to frame its legislation to meet it" (Schmoller's Jahrbuch, Vol. XV, p. 294).

A very important work on the tariff-relations between Germany and Austria-Hungary—which has been often consulted in the preparation of this essay—appeared in 1891 under the authorship of Dr. Alexander von Matlekovits, an Hungarian member of the Reichstag ("Die Zollpolitik der Oesterreichisch-Ungarischen Monarchie und des Deutschen Reiches seit 1868 und deren nächste Zukunft"). So far as relates to the subject in hand Matlekovits' idea was a Zollverein between the two Empires

whose general principle should be a common tariff applied to foreign countries and inter-state free-trade. To this latter principle, however, exceptions should be made to meet economic and political differences (especially as regards articles operated by one of the states, as a monopoly). Each state should have a free hand in the administration of its tariff but government officers of the one state should at all times be allowed to inspect the system in the other state. The tariff-revenue should be divided between Germany and Austria-Hungary at the ratio of 4 to 1; should, however, the revenue derived from grain and wood not reach a certain definite amount the ratio for these two commodities is to be 7 to 3. Each country should pay its own cost for tariff administration. Provisional reports should be rendered quarterly and definite settlements concluded yearly. Both states should attempt to similarize their tariff-administration. To aid the process of economic unification a "Unionrat" composed of 12 members, 6 from each state, and having advisory power, should be appointed. In matters of internal taxation and trade neither party should discriminate against the other, and there should be reciprocal protection in trade-marks and railroad rates. Provision is made for the admission, in the future, of other states and for a common commercial treaty applied to foreign countries. The treaty, embodying the scheme of Matlekovitz, should, according to its author, come into force on January 1st, 1892, and, if notice of its abrogation be not given before January 1st, 1901, should continue in force 10 years longer. Prof. Schmoller, in reviewing this work of Matlekovitz in his Jahrbuch (Vol. XV, p. 275 et seq.), expresses his sympathy for the general idea of a Middle European Zollverein but regrets that the author's "standpoint is somewhat one-sided: in the first place he is an Hungarian; in the second place, a free-trader of the sixties, and in the third place, a public officer (Beamter)."

About the time we are now considering there appeared a

brilliantly written pamphlet under the title "Die Zukunft der Völker von Mitteleuropa." The author's name was not attached to this essay. There was an attractiveness in the style and a thoroughness in the portrayal of political and economic conditions which caused it to be widely read and much commented upon. Some went so far as to claim that it was either written by the Chancellor himself (Caprivi) or by some one in sympathy with his ideas (see Prof. Farnam in "Yale Review" of May, 1892), and was therefore supposed by some to give a possible trend to the German and Austro-Hungarian commercial treaty which was soon to be renewed. It might be added, in passing, that, so far as the writer of this article is informed, Caprivi never expressed himself in favor of a Zollverein between the two Empires. Furthermore the writer happens to know the real author of the pamphlet in question and can therefore state that he is not Caprivi. The fact is emphasized in the work that the states of Central Europe were becoming more and more dependent upon foreign countries for their food supply. This economic development threatens not only the prosperity but also the civilization of these states. The author is somewhat anti-American in his sentiments. As regards our tariff policy he observes that "a calm reflection leads to the belief that the American effort to gain complete emancipation from European civilization and from its products will, sooner or later, be crowned with success." He advocates a European Tariff-Union composed primarily of Germany, Austria-Hungary, Italy and France, to which may possibly be added the smaller states of Switzerland, Belgium, Holland, Norway and Sweden.

We come now to a period in our discussion, during which certain political measures, particularly in the United States, have given more of an anti-American political trend to the subject of a European Zollverein. The most important of these measures are the McKinley Tariff Act of 1890; the Wilson Bill, particularly the sugar schedule, by which

Germany believed that her most-favored-nation rights had been violated; and the Dingley Bill. This legislation has been economically hostile to German industrial interests by the difficulties imposed upon the importation into the United States of goods made in Germany, and has given strength to the "anti-American trend."

As regards Germany, the tariff act of 1879 was, in principle, agrarian protection. The assurances then made as to the maintenance of the price of wheat were not made good, although in 1885 the grain tariff was tripled and in 1887 increased fivefold. In Germany's Commercial Treaty of 1892 with Austria-Hungary these rates were somewhat lowered and the factor of stability, or rather inflexibility, introduced by the agreement that the treaties must continue unchanged for 12 years, or, more correctly, that rates should not be raised above a certain point during this period. This measure may thus be regarded as a slight reaction favorable to the industrial classes.

During the agitation of this bill those favorable to a Middle European Zollverein were inclined to look upon the measure as a definite step in this direction and were further inclined to represent the Government as sharing this view. Later events proved this belief to have had its foundation in fiction rather than in fact. In the "Yale Review" of May, 1892, Prof. Farnam, speaking of the general subject of a Zollverein but more in particular regarding the recent treaty, said: "There is, undoubtedly, a considerable literary movement in favor of this policy (that is, the policy of a Middle European Zollverein), but when we look at the facts they are not very encouraging." The facts referred to by Prof. Farnam are that Germany, after concluding her commercial treaty with Austria-Hungary, made similar treaties with three other European states and then extended the advantages of these reductions to no less than 30 other states, including the United States, by virtue of her most-favored-nation agreement—facts not very encouraging to those who looked upon the treaty of 1892 as the basis for a Middle European Zollverein.

Prof. Werner Sombart, in an article in Schmoller's Jahrbuch (Vol. XVI, 1892) on Germany's new commercial treaties ("Die neuen Handelsverträge, insbesondere Deutschland"), comes to the conclusion that nothing is more foolish than the idea advanced by some that these treaties were a step in the direction of a Middle European Zollverein. Such a plan is not possible to realize, at least not inside of a few hundred years. "He who understands in a most superficial manner the commercial-political development of the European states will regard it as entirely out of the question that, within a conceivable time, tariff modifications among these different countries can be radically lowered."

Finally and officially, it was stated by Secretary of State Von Marshall, in his speech in the Reichstag on May 3rd, 1897, in reply to the interpellation of Count Kanitz on the "Saratoga Agreement," that "the Confederated Governments, when they negotiated the commercial treaty with Austria-Hungary in 1891, did not doubt a moment but that they were under obligation to concede to the United States the tariff reductions which were granted Austria-Hungary. It would have been an infringement upon good faith to have denied this legal obligation after we had repeatedly asked for similar favors to be granted us."

In 1895 an interesting and instructive work on modern commercial politics ("Zur neuesten Handelspolitik") by Dr. Peez appeared. Its central idea was that of a Middle European Zollverein. He and Matlekovitz stand on similar ground except that his plan is somewhat more extensive than the latter's—making the entrance of France into the Union a *sine qua non*. He also appears to be considerably irritated by the high tariff-rates of the McKinley Bill. Without Union he seems to regard Middle and Western Europe at the mercy of the "Foreign Policy" of Great Britain and the "Commercial Policy" of the United States. He tells us that soon after the passage of the American Tariff Act of 1890 an article appeared in the

French "Journal des Débats," the writer of which regarded a tariff war between Europe and the United States as unavoidable and advised not only France, but Europe in general, to take immediate action. American pork, lard, petroleum and grain imported into Europe ought to be compelled to pay as high an import duty as European products sent to the United States. Similarly we are told that Burdeau, a member of the French Chamber of Deputies, in addressing his constituents at Lyons, declared that the United States should be treated as she treated others. He suggested that France should buy her petroleum of Russia and her grain of Austria-Hungary. The "Temps" regarded it as not improbable that the triumph of the prohibitive tendencies in the United States might lead to an abolition of the tariff barriers between European countries "as Colbert had abolished the customs barriers between the provinces." Finally, Peez, who devotes considerable attention to French public opinion on American tariff legislation, tells us that Lockroy, a former French Minister of Commerce, while speaking against any anti-American combinations in Europe, said: "Let us content ourselves with judicious tariff duties against American pork and we shall then be able to obtain desired advantages from America."

Prof. Schmoller, in his Jahrbuch of 1895 (pp. 1049-1053), in reviewing Peez's work, speaks of the author as an "expert of the first rank." His criticism has the double value of being an excellent analysis of the economic side of Peez's work and at the same time of giving us a picture of his own view, which he shows no disposition to conceal. The basis of Peez's work, he tells us, is the relation of the Middle European states to England, Russia and the United States. The last two seek by means of high tariffs—England (to use Prof. Schmoller's words) "by means of its selfish intriguing commercial supremacy (egoistische ränkevolle Handelsherrschaft)" and her colonial policy—to place in jeopardy the economic interests of the smaller

states. The average ad valorem tariff-rates (statistics for 1892-93) in the United States is 29.1 per cent, in Russia 27.8 per cent, in Italy 17.9 per cent, in Sweden 11.4 per cent, in Denmark 10.9 per cent, in Norway 10.6 per cent, in France 10.2 per cent, in Germany 9.2 per cent, in Roumania 7.7 per cent, in Austria-Hungary 7 per cent, in Great Britain 4.9 per cent, in Switzerland 3.9 per cent, in Belgium 1.8 per cent, and in Holland .5 per cent. In Russia and the United States tariff-rates vary from 60 to 300 per cent. They compel the rest of the world to buy their raw material but refuse, in return, to purchase foreign manufactured products. Taking the Russian estimates for 1888 and those of the United States for the fiscal year 1888-1889 the following statistical table tells the story (value in marks).

| | Imports from Europe. | Exports to Europe. |
|---|---|---|
| Russia - - - - - - - - | 918,400,000 | 2,378,000,000 |
| United States - - - | 1,613,600,000 | 2,288,700,000 |
| | 2,532,000,000 | 4,666,700,000 |

That is to say, these two countries exported nearly 2,100,000,000 more marks worth of goods to Europe than they imported therefrom. Although Russia lately made treaties with Germany and Austria-Hungary, this fact does not materially alter conditions, and besides tariff-arrangements are only a part of the Russian commercial policy. The Siberian and other railroads, and the development of the cotton, petroleum and other industries in Russia are placing the other countries of Europe, relatively speaking, at an increasing industrial disadvantage to her. Similar economic changes are taking place in the United States, while England, comprising only 10.6 per cent of the population of Europe and only 3.2 per cent of its surface, produces from 50 to 70 per cent of all the materials manufactured in Europe. Although in late years this island has proclaimed the policy that she desires no additional colonies, she has in the last 20 years practically annexed 4,500,000 square miles of land. From the beginning of

the century England furnished Continental Europe with manufactured products, taking in exchange their raw products. Since 1875, however, the latter has been supplied by the United States. Peez therefore comes to the conclusion that the German protective policy from 1878 to 1887 was a necessity, a view which is shared by Prof. Schmoller ("wie ich glaube ganz mit Recht").

The latter concludes his review in about the following words, which shows us very plainly his point of view upon the subject of an European Zollverein: The importance of the treaty of 1892 does not lie, so he tells us, in the reciprocal concessions which, for the present, are not great, but in the removal of the dreaded tariff war and in the establishment of an economic community of interests (Wirthschaftsgemeinschaften) which, in many particulars can be further developed even if we cannot, at present, have differential tariffs and a Zollverein. The three "world-powers" —Great Britain, United States and Russia—have the greatest interest in maintaining and increasing the commercial antithesis among the Middle European states. Our aim must be to minimize this antithesis and, where our interests coincide, to unite—as for example in common measures against the spread of cattle disease and in railroad conventions.

In 1896 an International Agrarian Congress was held at Budapest, at which prominent agrarians—landed proprietors, editors, writers, economists, ministers of agriculture and others were present. The proceedings of this Congress were printed and appeared the year following in two large volumes (Congrès International D'Agriculture). "Memoires" and "replies" to questions previously sent to prominent "Agrarians" and others are collected in Vol. I, while the second volume contains the debates of the Congress.

Among the questions considered were the following ("Section III (a) Douanes, 3"):

"In view of the existing international situation is it

desirable that certain states establish among themselves closer economic bonds?

"What would be the industrial consequences of such an economic Union?"

Of 49 who expressed themselves upon this subject, 14 were Hungarians, 8 were Austrians, 8 were German, 5 were French, while 14 represented other European countries. Twenty-nine spoke more or less in favor of the Union, 14 opposed it, while 6 might be classified as neutral or doubtful. Among the Hungarians 10 were favorable to the Union and 4 against it. All the Austrian, 6 Germans and 2 Frenchmen were in favor of a Union, 3 Frenchmen were against it and 2 Germans were neutral. Of the remainder 3 were for a Union, 7 were against it and 4 were neutral. It must not be presumed that among those classified as "favorable" to a Union, all contemplated the same kind of an agreement or the same degree of unification. A reading of the proceedings of this Congress reveals the fact that the question was largely argued from the standpoint of class interests, a smaller number basing their observations upon the broader principles of common weal. The central thought was, naturally, agricultural protection.

It seems hardly profitable to go too much into detail regarding this Congress but perhaps the observations upon the subject of a Middle European Zollverein made by a few of the most prominent members, may not be out of place.

According to Géza von Gerlóczy (Professor at the Royal Agricultural Institute at Kassa, Hungary), a closer economic Union among the states of Central Europe would tend to weaken the present agricultural crisis.

Hugo H. Hitschmann, editor-in-chief of the "Wiener Landwirthschaftliche Zeitung," thought the Union desirable because of the protection it would give to agricultural interests—a view shared by André de Llaurado, Inspector-General of Forests, from Barcelona. For more general

reasons the Union was advocated by Dr. von Jureschek, Aulic Councillor to the Austrian Central Statistical Commission, and Professor at the University of Vienna, who thought the plan should include the states of Germany, Austria-Hungary, Italy and eventually Switzerland, Denmark, and the Balkan States.

Dr. W. Lexis, Professor of Economics at the University at Göttingen, and one of the best German writers on commercial questions, was of the opinion that "a European Zollverein—at least between Germany and Austria-Hungary—would be a very desirable thing, but the diversity of agricultural and industrial interests—say nothing of the political differences—makes such a project almost impossible of realization."

Dr. W. E. Martin of Melbourne (Secretary of Agriculture) begged the question by stating that it depended upon the political opinion of a person—"a free-trader naturally looking at the project in a different light from a protectionist."

Henry Sagnier, editor-in-chief of the "Journal de l'Agriculture" at Paris, stated that such a Union was conceivable between states whose economic interests are absolutely common but that such not being the actual situation in Europe a Union at the time was not to be thought of.

The Marquis de Vogüé, President of the Agricultural Society of France, made the statement that such a Union responded so little to the actual economic and political situation of Europe, and its chances of realization appeared so slight, that he thought it useless to consider it.

The two delegates from Russia, Kovalesky (Director of the Department of Commerce and Manufactures) and Kasperow (Chief of the Section of Cereals), in a "Mémoire sur les questions du Programme du Congrès," concluded that "the maintenance of customs-laws, be it in the simple form or be it in the complicated form of Tariff-Unions, ought to be declared as contravening universal progress." This seems a good deal for delegates coming from per-

haps the most protectionistic of the civilized states to say. What they had, no doubt, uppermost in mind was a Tariff-Union among the Middle European states which would operate very disadvantageously against Russian agricultural interests.

Among the delegates who took part in this Congress were M. de Molinari, Dr. von Matlekovitz and Prof. Schmoller. The latter suggested that possibly in 1902, when the present commercial treaties would expire, an experiment in the direction of a Tariff-Union might be made with grain, cattle and perhaps other wares among the states of Germany, Austria-Hungary, Italy, Switzerland and possibly France, Belgium and Holland. "I admit," says Prof. Schmoller, "that the Union—like all things great and new—is not easy to accomplish. Great statesmen with a wise and energetic policy are necessary."

Louis Strauss, Vice-President of the Superior Council for Industry and Commerce of Belgium, expressed himself at this Congress as follows: "A Tariff-Union of the states of Central Europe is evidently a dream. The difficulties opposed to its realization are much greater than when de Molinari (1878-79), inspired by a desire to fortify the solidarity of the nations involved, proclaimed this beautiful and generous idea."

The Agrarian Von Ploetz, member of the German Reichstag and Prussian Landtag and first President of the "Bund der Landwirthe," while agreeing in general with Professor Schmoller's remarks, styled his proposition to wait until 1902 as "music of the future" (Zukunftsmusik). Why should we wait six years before taking action, he asked. Three points were regarded by him as essential for the realization of a Tariff-Union, viz.:

(1) The re-establishment of the value of silver.

(2) Prohibition of dealings in futures in grain (already accomplished in spring of 1896).

(3) Abrogation of the most-favored-nation clause with non-Central European states.

In view of the proceedings of the Congress above described, coupled with the fact that the Landwirthschaftsgesellschaft at its General Assembly at Vienna on September 1st, 1896, passed resolutions favoring a Middle European Zollverein, it seems a rather questionable statement when the "Deutsche Agrarzeitung" (September 18, 1898) says that neither at the Agrarian Congress in Budapest nor at the one held at Vienna did any "agrarian, German or otherwise ever propose or favor a European Tariff-Union such as that of the old German Zollverein. Only by the free-traders at Budapest was such a proposition made but it was rejected by the agrarians of all countries."

Political and economic events in 1897 seemed to conspire to bring almost to a focus German, and, in fact, general European, hostility to the United States. The Dingley Bill, with its high import duties on manufactured products, coupled with the clause whereby bounty-fed goods had to pay additional duties equal to the amount of the direct or indirect bounty paid, was the important political "event" which antagonized especially the industrial classes whose interests were adversely affected by the measure.

The important economic "event" was the coincidence of good harvests in the United States and poor ones in Europe, which caused enormous exportation from the United States to Europe not only of grain but of other food products, particularly meat. Such conditions were not conducive to soothing the increasing bad humor of the agrarians. The question of a tariff war or some sort of a European tariff combination against the United States was transferred from the realm of theoretical political economy almost to that of practical politics. The press nauseated itself with unkind statements about America. It was this condition of things, coupled with a "Germanic" consciousness of the possible or probable future economic and political preponderance of the United States as a "world power" which explains, in a large degree the anti-

American tenor of the German press during the war between the United States and Spain.

Even before the Dingley Bill was enacted, but after its passage became a foregone conclusion, the question of Germany's most-favored-nation rights with the United States was made the subject of an interpellation in the Reichstag (May 3rd, 1897), by the Agrarian leader, Count Kanitz. After emphasizing the common interests of agriculture and industry against the "unreasonable" tariff legislation of the United States, he said: "If we are to arrive at some effective measures it will be desirable to go hand-in-hand, if possible, with other European powers, and I am happy to say there is some prospect that this may be done. In all of the European states there is a strong reaction against this new advancement of the American tariff-policy. The governments have made protests through their diplomatic representatives at Washington. Even in industrial circles the movement is beginning. The sharpest protest was made by the industrialists of Austria. They have lodged with their government the direct request for a combination of the European states for the purpose of adopting uniform counter-measures. I consider the proposition worthy of a closer consideration." It appears, as voiced in the reply of Secretary of State von Marshall, that the government did not share this view of Count Kanitz. "To do all," said von Marshall, "which Count Kanitz has, at the present time, suggested would be the greatest mistake and the greatest sin toward the interests of those whose protection and welfare is placed in the hands of the confederated governments."

In commenting upon a debate in the Bavarian Diet at Munich on October 21st and 22nd, 1897, wherein the abolition of the most-favored-nation arrangement with the United States had been recommended, the morning edition of the Kreuzzeitung (October 23) expressed the hope that an agreement might soon be made by Germany with France and other important countries, such as Austria-Hungary, Italy and Spain, to act conjointly against the United States.

On November 20th, 1897, Count Goluchowski, Minister of Foreign Affairs of the Empire of Austria-Hungary, in an address to the Hungarian Committee of Foreign Relations recommended a European combination against "the countries beyond the sea," meaning of course primarily the United States.

The high political position of the speaker naturally gave an official character to his statements and excited universal comment. It therefore appears proper to quote somewhat in detail from his speech which has been kindly furnished the writer by Charles V. Herdliska, Esq., United States Chargé d'Affaires ad interim at Vienna (see Fremdenblatt of November 21, 1897).

"The disastrous war of competition which we meet with at every step and in every field of human activity upon the part of the countries beyond the sea—a contest which is not only now going on but which will become greater in the near future—calls," says Count Goluchowski, "for an immediate and comprehensive resistance unless the nations of Europe are to be seriously crippled in their most vital interests and are willing to fall victim to a disease which will surely lead to their destruction. They must fight shoulder to shoulder against this common danger and they must go into this contest armed with every weapon of defense which their resources can afford. This is a great and heavy task and, unless all signs fail, it will impress its character upon the epoch of history into which we are now entering.

"As the 16th and 17th centuries were filled with religious wars; as in the 18th century liberal thought made a way for itself to the fore; as the present century has been characterized by the development of national questions; so the 20th century promises to be in Europe a struggle for existence in the politico-economical field, and *European nations must unite* in order to contend successfully in defending the conditions upon which depend their power to live.

"I trust that the realization of this may become general

and that we may be permitted to employ the time of peace, to which we all now confidently look forward, in gathering our strength and turning it resolutely in that direction."

The "Neue Preussische Zeitung" (Kreuzzeitung), commenting upon this speech of Count Goluchowski, under date of November 25th, 1897, stated that it was reported that Spain had consented to take part in any movement contemplating a European combination against American tariff legislation. This paper further stated that the Italian Minister-President Rudini had said that should the United States persist in raising its tariff the European countries must take steps to counteract this evil. The French Minister of Commerce, according to the same authority, had expressed himself similarly. This paper seemed to regard Goluchowski's speech as a warning to Europe (Wahnruf an Europa).

On June 13th, 1898, there appeared in a social democratic magazine a very well written article by Richard Calwer (recently elected a member of the German Reichstag), entitled "Die Vorbereitung neuer Handelsverträge," in which the writer affirmed that should international competition be excluded by high protective walls to the countries of Middle and Western Europe it would cause, because of the smallness of the markets, a weakening of their productive capacity. Industrial stagnation would ensue and this would have its effect upon wages and general consumption. With high tariff walls applied to enormous territories like the United States, Russia or Great Britain with her colonies the opposite effects would take place. "The most rabid (linksstehendste) free-traders will admit," said Calwer, "that the present procedure of America makes further encouragement of her imports into Europe an impossibility."

In order to obtain advantages enjoyed by large countries, Europe must unite. Such a Union would place her in a position to obtain concessions as well as give them.

The editors of "Die neue Zeit," in a footnote to this

article, take pains to show their disapproval of the position taken by its writer. Their argument runs as follows: The rabid free-traders are by no means the only ones who recognize that no further concessions to America are possible. If a Middle European Zollverein means a move in the direction of doing away with the tariffs which hamper the countries of Europe, then it should be hailed with joy. If it means, however, protectionism and tariff-wars (which would probably be encouraged by such a Union), then we are opposed to it. In any case there is no likelihood of its realization. The truth is that such a Union means nothing more than agrarianism and protectionism extended to Middle Europe. It is foolish to argue that England will, in the near future, go over to protectionism. This policy in the United States and Russia would principally make such a Union necessary—if necessary at all. Russia is no copy for us but the American people in their opposition to monopolies are more free-traders in sympathy. We Social Democrats do not want to antagonize this sympathy by such a Zollverein. This view of the editors may be regarded as the social democratic standpoint since it corresponds to the utterances of nearly all the prominent Social Democrats as voiced in their Parteitag at Stuttgart on October 6th, 7th and 8th, 1898.

Volume II of the "Schriften der Centralstelle für Vorbereitung von Handelsverträgen"—an organization whose aim is to promote the industrial rather than the agrarian interests of Germany—deals with the commercial relations between Germany and the United States. The author, Prof. von Waltershausen, after demonstrating that in a tariff-war with the United States Germany would be worsted, comes to the conclusion that the countries of Middle and Western Europe must come to a common understanding regarding their economic relations with the United States. Prof. von Waltershausen does not contemplate a European Tariff-Union modeled after that of the old German Zollverein. His idea is that the individual

members of the Union—which might begin with the countries comprising the Triple Alliance, but should eventually include practically all the states of Central and Western Continental Europe—should agree to form no commercial treaty which was not essentially applicable to all members. Should America not come to terms the combined action of all members of the Union would make a tariff-war much more advisable and might be inaugurated by prohibitive import duties on American tobacco, meats, lard, wheat, and a differential tariff on American cotton and products of the mine.

As a basis for his plan, the following points are recommended by Von Waltershausen:

1. Any agreement must last 10 years.

2. The present German tariff-rates are to be applied to American goods imported into the Union.

3. The tariff-rates in the Wilson Bill are to be applied to goods imported into the United States from the countries of the Union.

4. The most-favored-nation clause is to be abolished. This would allow greater freedom to the members of the Union to make such special tariff arrangements with other states as do not conflict with the regulations between the Union and the United States.

Such a proposition as the above, appearing under the auspices of an organization devoted to the German industrial interests, might be regarded as significant were it not for the fact that the book was prefaced with the following words from the director of the organization: "We do not agree with the personal views of the author in all points; this applies especially to the final proposition advanced by him."

The next publication of this society is a work entitled "Die Politik der Handelsverträge," under the authorship of its Director, Dr. Vosberg-Rekow. He speaks of the plan of a Middle European Zollverein as "an idea advanced by a large number of theorists," which might seem

to indicate that so far as industrialists are concerned the matter is more a question of "theory" than of "practice."

In a September number of the "Economist Français" there was an article from the pen of the eminent French economist, Paul Leroy-Beaulieu, on the subject of a European Federation. The Czar's disarmament proposal might be realized under certain conditions, viz.: Germany's willingness to transfer to France, for an indemnity, Lorraine, leaving Alsace to constitute itself into a small neutral state guaranteed by the Powers or to join Switzerland, of which it would form two cantons, while still remaining a part of the German Zollverein. Such a plan, by removing the cause of friction between Germany and France would make possible the realization of a European Federation whose objects should be (1) to proclaim a "Monroe Doctrine for Europe"—a prohibition against any territorial establishment on the part of a non-European Power (meaning, of course, the United States) on the continents of Europe, Africa and that part of Asia bordering upon the Mediterranean sea; and (2) an alliance among the European powers to help one another with armed force in the Far East and in the Pacific.

Leroy-Beaulieu recommended also that this federation against the United States should not only be political but also economic, and that the states of Europe should allow each other a preferential customs tariff. "If," concludes the writer, "Europe does not want to abdicate in favor of its new competitors it must make up its mind to constitute itself on new lines."

"Die Grenzboten" of September 22nd, 1898, commenting upon this scheme of Leroy-Beaulieu, regarded it under present conditions, as hardly worthy of discussion. This paper, which is free-trade in its tendencies, further observes that protectionism applied on such a large scale would be more objectionable than when applied, as at present, to small individual states. Such a Tariff-Union would bring about a greater tension between the states

of Continental Europe and the three great powers of the United States, Great Britain and Russia, with results more disadvantageous to the former.

Subsequently (September, 1898) an Agrarian Congress was held at Vienna. There was no recommendation of a Middle European Zollverein but considerable attention was given to the plan of the German and Austrian agrarians advocating united action for obtaining grain-tariffs which would practically prohibit importations from the United States. The eminent economist, Prof. Adolf Wagner, in reply to a letter of the writer, asking his opinion, for purposes of publication, on the subject of a Middle European Zollverein, expresses his sympathy for the movement, emphasizing, however, that he fully appreciated the many difficulties connected with its realization—difficulties which he regarded as political rather than economic. France he regarded as the great stumbling block in the way of the movement but the boundlessly selfish ("masslose egoistische") commercial policy of the United States, Russia and Great Britain will compel a gradual coöperation of the countries of Middle and Western Europe in order to obtain from these powers proper commercial concessions. As expressed in a conversation with the writer, Prof. Sering, who is cited by permission, may be said to hold similar views.

On October 7, 1898, Prof. H. H. Powers, then of Leland Stanford University, addressed a circular letter to several secretaries of German Chambers of Commerce, editors and economists, asking their opinion, for purposes of publication, on the plan of a Middle or Western European Zollverein. Professor Powers has kindly allowed the writer to make citations from their replies.

Dr. Gensel, Secretary of the Chamber of Commerce at Leipzig, believed that, owing to present protective tendencies and inter-state mistrust and envy, the realization of a Tariff-Union between Germany and Austria-Hungary or between Germany and Western Europe in general, was a

question of the far distant future. "This opinion," he added, "is also shared, so far as I know, by our trading classes (Handelsstande)."

The "Syndikus" of the Chamber of Commerce at Frankfort is unable to answer the question as his Chamber as well as most other German Chambers has taken no position on the question.

The "Secretary" at Königsberg regards a Tariff-Union as an illusion (Traumbild), because of (1) the diversity of interests among the states which should compose the Union, and (2) impossibility of equitable ratio for a division of the rates. "The example of the German Zollverein is not to the point because this Verein comprised a single—although somewhat disunited—people, that had never lost its feeling of unity, and because the German Zollverein was also simply the harbinger of the German Empire."

The "Syndikus" of the Chamber of Commerce at Aix-la-Chapelle is favorable to a Tariff-Union between Germany, Austria-Hungary and Italy. He recognized the difficulties in the way and expressed doubts whether they could be at present overcome. It may be a practical question of the future—perhaps of the middle of the next century, especially if "Imperial Federation (i. e., in Great Britain) is realized."

The Secretary of the Chamber at Stuttgart expressed his position in the following words: "An international Zollverein, however plausible and sympathetic the idea may be, is a Utopia whose realization is growing constantly more difficult."

The semi-official organ, "Kölnische Zeitung," does not regard a Tariff-Union as possible. The various states which should comprise such a Union are more or less unfriendly to one another. "How is a Union, then, possible?"

The "Syndikus" of the Chamber of Commerce at Bremen, refuses to express an opinion on the subject and has "no interest in the matter," while the editor of the

"Schlessische Zeitung" believes that the difficulties in the way of the realization of a Union would probably be too great to overcome.

Prof. Rathgen (Marburg) stated that theoretically such a Tariff-Union ought to embrace all European states excepting Russia, England and (for political reasons) Turkey. Even an optimist, however, would not regard such a scheme as possible. Greece, Spain and Portugal would add no value to such a Union, while France's political antipathy would exclude her. The beginning would have to be made with Germany, Austria-Hungary and possibly Italy, while the smaller states of Europe would, by degrees, be added. There would be many advantages as well as disadvantages from the proposed Zollverein. The probability of its realization is not, for the present, very great, as no great class, as a unit, supports it. The strongest interests favoring a Union are the agrarian. It will be the birth of necessity and will come to pass, if at all, through the development of industry in the United States or through the realization of non-European-Continental Zollvereins, namely, Pan-Americanism and Imperial Federation.

We have now reached the end of our task—an attempt to portray European, or rather German, public opinion upon the subject of a Middle European Zollverein. It has been found that the discussion, so far as the present century is concerned, divides itself into two periods. The first extended from 1834, when the German Zollverein came into existence, to 1866. The states contemplated as members of a Middle European Zollverein, during this period, were those of Germany and Austria. The underlying economic idea was industrial protection against the common enemy, England. The political "idea" was the struggle between Prussia and Austria for German hegemony. The economic crisis happened in the early sixties when the question was presented to the members of the Zollverein whether they should enter into new treaty relations with

France and Western Europe, contemplating tariff modifications in the direction of free-trade, or with Austria, the result of which would have been a strengthening of the bonds of protection. The question was solved by Bismarck's adoption of the former plan. The political crisis came in 1866 and was decided favorably to Prussia at Königgrätz. The new birth was the North German Confederation and later the German Empire.

The second period began in the latter part of the seventies when, owing to the industrial revolution in Germany, cheapened means of transportation and the development of American agriculture, causes which changed Germany from a food-exporting to a food-importing country, the "Fatherland" embarked upon a system of agrarian protection which reached its high-water mark in 1887, while the German commercial treaties inaugurated in 1892 registered a slight reaction favorable to the ever-increasing power of the industrial classes. Economic conditions in the United States have been an important factor in antagonizing German, or rather European, interests, while economic legislation has had a similar effect upon large industrial classes. This antagonism has expressed itself in recommendations of some sort of an economic combination or European Zollverein which should include most of the countries of Middle and Western Europe. The underlying economic "idea" may therefore be said to be primarily agrarian protection against the common enemy, the food-exporting countries, especially the United States.

Our study of the question has shown that no great class has, as a unit, definitely advocated a Middle European Zollverein as a political program. The proposition of some sort of a European Tariff-Union has been advocated in a more or less modified form by the following:

1. A large number of important European, but more particularly German, economists.

2. A large number of Hungarian and Austrian agrarians, while the majority of German agrarians oppose the plan, although perhaps somewhat less vigorously than formerly.

3. Some German industrialists, while Austrian industrialists, almost as a unit, oppose it.

4. Secretaries of boards of trade, journalists and politicians have, in considerable number and for various motives, favored the plan.

The natural conclusion from the foregoing exposition is that, while a European understanding upon some definite subject which might separate their interests as a class, from those of one or more other countries, is not an impossibility, the political prejudices and diversity of economic interests excludes from the domain of practical politics the proposition of a Middle European Zollverein as contemplated by the majority of writers above cited.

An American economist, Professor H. H. Powers, in a recent article in the "Annals of the American Academy," entitled "The War as a Suggestion of Manifest Destiny," said: "It is probable that a generation more will see the entire world under the jurisdiction or within the 'sphere of influence' of half a dozen Powers who will continue the struggle with increasing definiteness and determination." Most people recognize this general tendency and it may be said that the underlying principle of those who favor a Middle European Zollverein is the conscious desire of the members of such a "Verein" to constitute one of the "half dozen Powers." There are many Germans who say that this desire of Central Europeans will be realized without the division of sovereignty contemplated by a Zollverein. They reason as follows: Economic forces tend toward state and inter-state centralization. So far as Middle Europe is concerned Austria, Denmark and Holland with her colonies will gravitate toward Germany and will become in time a united empire.

There are others who say that the enormous industrial development in the United States and her reaching out toward foreign markets will weaken her policy of isolation, make her aims and commercial aspirations coincide with those of England and Germany and bring a definite "col-

onial open-door" policy. It is interesting to note, as bearing on this point, the present Anglo-Saxon "good-feeling" and more or less of an "approachment" between England and Germany. A discussion of these latter points, however, falls out of the scope of the present article.

GEORGE M. FISK,
2nd Sec., U. S. Embassy.

Berlin, December 29, 1898.

NOTE.—The foregoing paper, as the date shows, was written about three years since and was not primarily intended for publication. The diplomatic post held by the writer precluded a discussion, on his part, of the political and economic questions suggested by the subject in hand. He therefore purposely confined his efforts to an attempt to portray public opinion of Continental Europe on the question, as reflected in the writings and addresses of her economists, journalists and statesmen. Since the above date there have been discussions on the subject called forth from time to time by the political action of governments, or by important commercial and industrial changes which have been taking place in various countries, and especially in the United States. One of these outbursts occurred soon after the writing of the above report, being inaugurated by an important Dutch paper which advocated closer commercial relations between Holland and Germany. The whole discussion has been confined largely within the confines of Germany, Austria-Hungary and France—the countries primarily interested in the movement—but there are of late signs of life in this direction on the part of the Anglo-Saxon public, the most recent illustration being the advocacy by Mr. Carnegie, in his installation address at St. Andrew's University, of a United States of Europe.

The most satisfactory recent discussion of this question is an article by Professor Francke of Berlin (Zollpolitische Einigungsbestrebungen in Mitteleuropa während des letzten Jahrzehnts), which appeared in Volume XC of the

"Schriften des Vereins für Socialpolitik." He reviews the entire subject in a most scholarly way but is careful to avoid definite conclusions as is evidenced by his concluding remarks: "Will it come in the near future to a union of the Middle European states whose natural leader is Germany? The question mark which we make here must be a very large one and we are frank to say we have neither yes nor no for an answer."

We are told in a recent number of the Nation (July 4th, 1901) that "perhaps the most striking thing about the much-discussed plan for a European trade combination against America is the fact that nobody takes it seriously," while former Assistant Secretary Vanderlip (Forum for February, 1902) makes the following statement: "The best judgment in Europe and America is, I believe, pretty well agreed on the futility of a European tariff alliance against the United States. Not one of our ambassadors or ministers believes it is a feasible programme for the European states, no matter how antagonistic European statesmen may become toward us on account of our commercial success in foreign fields. I found no important banker or manufacturer who thought it probable that the conflicting interests of the various states could be brought to any harmonious point of view from which to formulate such a tariff."

Probably this is a fair statement of the present situation, and we may conclude that a Middle European Tariff-Union modelled after the German Zollverein or even the more moderate plan of general concerted action, such as that advocated by Professor von Waltershausen, is hardly a question of practical politics. However, when we review past history and consider present conditions, especially the gradual or rather rapid tendency toward not only industrial but also political consolidation, it is not difficult to feel that back of all this agitation there are forces at work which are stronger, perhaps, than we realize. Political institutions, now as in the past, have economic bases.

When industrial conditions change, political institutions must conform to these changes or go to the wall.

Four hundred years ago Middle Europe comprised many hundred petty sovereign or virtually sovereign units. Now the number does not exceed 35, even including the small German states, and all are dominated by one really great state—Prussia—which is powerful politically because she is powerful industrially. The small states of Europe survive to-day because of historic considerations which are gradually losing their force and not because there is any necessity for their existence as separate political units. It seems to the writer that the whole discussion has brought out two very prominent facts:

1. The large majority of writers cited above have admitted, either directly or inferentially, that a Middle European Tariff-Union of some sort was desirable because of similar economic conditions and wants.

2. On the other hand, the majority have likewise declared against such a Union because of opposing historical and racial passions and prejudices. This is a virtual admission that Union in some form or other must come because in the long run prejudices and passions must give way to economic and industrial forces. Just what form this Union or consolidation will take is purely problematical.

GEORGE M. FISK,
Professor of Commerce, University of Illinois.
Champaign-Urbana, Ill.,
November 3, 1902.

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